STATEMENT OF
COMMISSIONER JONATHAN S. ADELSTEIN

Re: Annual Assessment of the Status of Competition in the Market for the Delivery of Video Programming

I want to thank Chairman Martin for taking this meeting outside of Washington, D.C. I have been attending hearings across the country over the past three years and I have learned that nothing tops the experience of getting out into the public and meeting with local officials, company employees, and consumers to hear their thoughts about media and telecommunications. Today, we are getting a better sense of what is happening on the ground with video competition. The effort by some of the Nation's largest telecommunications companies to provide a competitive alternative for video services is one that deserves our attention and encouragement, and we are giving it both through our visit to Texas as a Commission.

I vote to approve this twelfth annual report on the state of competition in the video marketplace because it is a promising improvement over previous years. It attempts, albeit in a limited fashion, to provide at least more of a semblance of analysis that the Commission should provide Congress.

While this *Report* continues to simply recite information submitted by private parties rather than conduct its own in-depth analysis of the state of competition, it is commendable that, in one significant respect, we seek comment on whether the criteria set forth in section 612(g) of the Communications Act (generally referred to as the "70-70 test") has been met and, if so, whether the Commission should promulgate additional rules to achieve the statutory goal of providing diversity of information sources in video programming. I welcome this inquiry and look forward to working on it with my colleagues to fulfill the goals of competition, diversity and localism in U.S. media markets.

As the Report shows, competition in video distribution and programming markets is intensifying. From 2001 to 2005, the number of cable subscribers, as a share of total MVPD subscribers, has decreased from 77 percent to 69 percent. Commensurately, DBS subscribership has increased from 18 percent to 27 percent. Local exchange carriers, electric and gas utilities, and cellular phone companies have all announced plans to upgrade their systems to offer video services and, in some cases, are already offering multimedia programming. Moreover, while 14 percent of U.S. television households continue to rely solely on over-the-air broadcast signals, the sale of digital television sets has skyrocketed, a trend certain to continue as prices are steadily decreasing. The digital television transition is also supported by the fact that more than 1,537 stations nationwide are broadcasting digitally.

Of particular significance is the entry of some of the largest local exchange companies into the video marketplace. LECs are upgrading their facilities to fiber-based platforms in many areas across the country so that these carriers can offer a suite of video, voice and data services. This investment could bring the most substantial new competition into the video marketplace that this country has ever seen. Equally significant is the potential for this new revenue stream to drive broadband deployment, which can benefit consumers and the free flow of information beyond the video marketplace.

Consumers will benefit not only from more choice, better service and lower prices, but also stand to gain from a more robust exchange in the marketplace of ideas. I have long expressed grave concerns about the negative effects of media consolidation in this country, and have focused on the problems raised by growing vertical integration of programming and distribution. Vast new distribution networks promise to limit the ability of any vertically integrated conglomerates from imposing an economic, cultural or political agenda on a public with few alternative choices. I truly believe the benefits of this new competition extend beyond the normal ones that accrue to consumers, and can actually improve the health of our overall democracy.

Nothwithstanding these healthy competitive indicators, the Report highlights areas of serious concern that will likely require our careful examination and possible action. While the competitive presence of DBS has reduced cable's dominance, concentration remains a concern: the top four MVPDs serve 63 percent of all MVPD subscribers, up five percent from 2004. Vertical integration and program access are also areas of growing concern. Of the 96 regional networks providing local sports and news, almost half are vertically integrated with at least one MSO. Several commenters, particularly small and rural cable operators and LECs, have raised concerns about securing access to programming at competitive, nondiscriminatory terms and rates.

The findings discussed in this Report should serve as the factual foundation to inform future Commission decision as well as providing Congress with information that can inform the national policy debate.